

City of McKinney, Texas

Single Audit Reports

September 30, 2019

City of McKinney, Texas
September 30, 2019

Contents

Schedule of Expenditures of Federal and State Awards.....	1
Notes to Schedule of Expenditures of Federal and State Awards	4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> and the State of Texas <i>Uniform Grant Management Standards</i> – Independent Auditor’s Report	5
Report on Compliance for the Major Federal and State Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas <i>Uniform Grant Management Standards</i>– Independent Auditor’s Report.....	7
Schedule of Findings and Questioned Costs.....	10
Summary Schedule of Prior Audit Findings.....	13

City of McKinney, Texas

Schedule of Expenditures of Federal and State Awards

Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Department of Homeland Security</u>				
Direct Program				
Homeland Security Grant Program	97.067		\$ -	\$ 30,937
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		-	335,070
Total Department of Homeland Security			-	366,007
<u>Department of Justice</u>				
Direct Programs				
Federal Seizures - Equitable Sharing	16.922		-	68,881
Victims of Crime Assistance Formula Grant	16.575		-	57,557
Passed through from City of Plano				
Edward Byrne Justice Assistance Grant Program	16.738	2017-DJ-BX-0573, 2018-DJ-BX-0403	-	24,360
Total Department of Justice			-	150,798
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster				
Direct Program				
TAP- Safety Access School	20.205		-	18,800
Total Highway Planning and Construction Cluster			-	18,800
Direct Program				
Urbanized Area Formula Program	20.507		-	82,861
Passed through from Texas Department of Transportation				
Urbanized Area Formula Program	20.507	5339-U-2016-McKinney*-00294	-	106,678
Highway Safety Cluster				
Direct Program				
STEP- Comprehensive	20.600		-	80,628
Total Highway Safety Cluster			-	80,628
Total Department of Transportation			-	288,967
<u>Department of Agriculture</u>				
Direct Program				
Watershed Rehabilitation Program	10.916		-	882,459
Total Department of Agriculture			-	882,459
<u>Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
Direct Program				
Community Development Block Grants/Entitlement Grants	14.218		113,393	708,588
Passed through from Texas Department of Housing & Community Affairs				
Tenant Based Rental Assist. (TBRA)	14.239	1002853	-	58,006
Total Department of Housing & Urban Development			113,393	766,594

City of McKinney, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Institute of Museum and Library Services</u>				
Passed through from Texas State Library and Archives Commission FY2019 ILL Lending Reimbursement Program	45.310	901384	\$ -	\$ 10,512
Total Institute of Museum and Library Services			-	10,512
Total Federal Awards Expended			\$ 113,393	\$ 2,465,337

City of McKinney, Texas
Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended September 30, 2019

Granting Agency/Grant Program	Grant or Identifying Number	Amount Expended
North Central Texas Council of Governments		
JARC - MUTD	PK4396	\$ 3,675
TWDB Flood Protection	1600012047	<u>75,425</u>
Total North Central Texas Council of Governments		<u>79,100</u>
Texas State Soil and Water Conservation Board		
Dam Rehab NRCS Lake 4	EFALA-ST-50035	<u>451,412</u>
Texas Historical Commission		
THC-MPAC	GR1911	<u>29,400</u>
Texas Department of Transportation (TXDOT)		
Routine Airport Maintenance Program	M1918MCKN	50,000
McKinney Urban Transit	URB 1702 (33)	146,776
McKinney Urban Transit	URB 1902 (33)	<u>136,773</u>
Total Texas Department of Transportation (TXDOT)		<u>333,549</u>
		<u>\$ 893,461</u>

City of McKinney, Texas
Notes to Schedules of Expenditures of Federal and State Awards
September 30, 2019

Notes to Schedule

1. The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state award activity of the City of McKinney, Texas (City) under programs of the federal and state governments for the year ended September 30, 2019. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards* and the State of Texas *Uniform
Grant Management Standards***

Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of McKinney, Texas
McKinney, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of McKinney, Texas (City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable Mayor and Members of the City Council
McKinney, Texas
Page 6

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
January 29, 2020

Report on Compliance for the Major Federal and State Programs; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*

Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of McKinney, Texas
McKinney, Texas

Report on Compliance for the Major Federal and State Programs

We have audited the City of McKinney, Texas (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Uniform Grant Management Standards* that could have a direct and material effect on the City's major federal and state programs for the year ended September 30, 2019. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with statutes, regulations, contracts and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards*. Those standards, Uniform Guidance and the State of Texas *Uniform Grant Management Standards* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for the major federal and state programs. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal and State Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal and state programs for the year ended September 30, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal and state programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of McKinney, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated January 29, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards are presented for purposes of additional analysis as required by the Uniform Guidance and the State of Texas *Uniform Grant Management Standards* and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Dallas, Texas
January 29, 2020

City of McKinney, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

7. The City's major federal program was:

Cluster/Program	CFDA Number
Watershed Rehabilitation Program	10.916

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The City qualified as a low-risk auditee?

Yes No

State Awards

10. The independent auditor's report on internal control over compliance for a major state award program disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

11. The opinions expressed in the independent auditor's report on compliance for a major state award were:

Unmodified Qualified Adverse Disclaimer

12. The audit disclosed findings required to be reported by the State of Texas *Uniform Grant Management Standards*:

Yes No

13. The City's major state program was:

Grant Program
Dam Rehab NRCS Lake 4

14. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the State of Texas *Uniform Grant Management Standards* was \$300,000.

15. The City qualified as a low-risk auditee as that term is defined in the State of Texas *Uniform Grant Management Standards*?

Yes No

City of McKinney, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
---------------------	---------	---------------------

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Questioned Costs
---------------------	---------	---------------------

No matters are reportable.

Findings Required to be Reported by the State of Texas *Uniform Grant Management Standards*

Reference Number	Finding	Questioned Costs
---------------------	---------	---------------------

No matters are reportable.

City of McKinney, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Summary of Finding	Status
-----------------------------	---------------------------	---------------

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Summary of Finding	Status
-----------------------------	---------------------------	---------------

No matters are reportable.